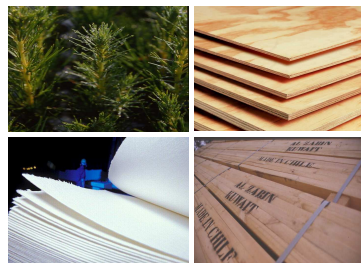


**Conference Call Presentation**  
**3<sup>rd</sup> Quarter 2009**  
**Financial Results**



**December 3<sup>rd</sup>, 2009**

## Disclaimer

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Forward-looking statements are based on the beliefs and assumptions of Arauco's management and on information currently available to the Company. They involve risks, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Arauco and could cause results to differ materially from those expressed in such forward-looking statements.

This presentation contains certain performance measures that do not represent IFRS definitions, as "EBITDA" and "Net financial debt". These measures cannot be compared with the same previously used by Arauco and the same used by other companies.

# Agenda

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- **Financial Review 3<sup>rd</sup> Quarter 2009** **4**
- **Review by Business Segment** **11**
- **Outlook** **17**

## Financial Review > 3Q 2009 Highlights

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- Revenues of US\$ 835 million  
(+14% over 2Q 2009)
- EBITDA of US\$ 219 million  
(+45% over 2Q 2009)
- Net Income of US\$ 93 million  
(+101% over 2Q 2009)
- Net Financial Debt of US\$ 2,502 million  
(-2% over 2Q 2009)
- CAPEX of US\$ 241 million  
(152 % over 2Q 2009)

# Financial Review > Consolidated Financial Statements

## Income Statement

U.S.\$ million	3Q09	2Q09	Q o Q
Sales	835	733	14%
Gross Margin	275	207	33%
EBITDA	219	150	45%
Operating Income	105	50	109%
<b>Net Income</b>	<b>93</b>	<b>46</b>	<b>101%</b>

## Cash Flow

U.S.\$ million	3Q09	2Q09	Q o Q
Operating activities	303	175	73%
Investing activities	-238	-97	144%
Financing activities	270	-141	-291%
<b>Cash flow of the period</b>	<b>335</b>	<b>-64</b>	<b>-622%</b>

## Assets

U.S.\$ million	3Q09	2Q09	Q o Q
Cash	657	317	108%
Inventories	625	658	-5%
<b>Total Current Assets</b>	<b>2,341</b>	<b>2,078</b>	<b>13%</b>
PP&E	4,991	4,696	6%
Biological Assets	241	233	4%
<b>Total Fixed Assets</b>	<b>8,924</b>	<b>8,500</b>	<b>5%</b>
<b>Total Assets</b>	<b>11,265</b>	<b>10,578</b>	<b>6%</b>

## Liabilities and S.E.

U.S.\$ million	3Q09	2Q09	Q o Q
Short term financial debt	508	427	19%
<b>Current Liabilities</b>	<b>939</b>	<b>791</b>	<b>19%</b>
Long Term financial debt	2,651	2,450	8%
<b>Non Current Liabilities</b>	<b>4,068</b>	<b>3,655</b>	<b>11%</b>
Minority Interest	123	120	3%
Controller's S.E.	6,135	6,013	2%
<b>Liabilities and S.E.</b>	<b>11,265</b>	<b>10,578</b>	<b>6%</b>

# Financial Review > Income Statement

## Arauco - Income Statement

U.S.\$ million	3Q09	2Q09	Q o Q
Sales	835	733	14%
Cost of sales	-559	-526	6%
<b>Gross margin</b>	<b>275</b>	<b>207</b>	<b>33%</b>
Selling and administrative expenses	-170	-157	9%
Operating income	105	50	109%
Depreciation	62	51	22%
Stumpage	52	50	4%
<b>EBITDA</b>	<b>219</b>	<b>150</b>	<b>45%</b>
Other operating income	57	55	3%
Interest expenses	-46	-42	9%
Foreign exchange gains (losses)	21	10	103%
Other non operating income	-18	-11	60%
Income before taxes	119	62	91%
Taxes	-23	-13	85%
Net income before minority interest	96	49	93%
Minority interest	2	3	-28%
<b>Net income</b>	<b>93</b>	<b>46</b>	<b>101%</b>

## Comments

- **Sales:** increase in prices (pulp 13%, panels 7%, sawn timber 1%) and sales volume (panels 16%, sawn timber 15%)
- **Cost per ton of pulp** during the third quarter was 6% lower than the second quarter of this year, mainly explained by a decrease in costs of chemicals (-28%)
- **EBITDA:** reached U.S.\$ 219 million during the third quarter of 2009, 45% higher than the previous quarter. Accumulated EBITDA in September 2009 reached US\$499 million

# Financial Review > Cash Flow

## Arauco - Cash Flow Statement

U.S.\$ million	3Q09	2Q09	Q o Q
Collection of accounts receivables	869	866	0%
Payments of suppliers and personnel (less)	-603	-732	-18%
Other expenses paid (less)	32	54	-40%
Dividends and other distributions received	5	12	-58%
Interest paid (less)	-43	-20	115%
Income tax paid	43	-5	-933%
<b>Net cash provided by (used in) operating activities</b>	<b>303</b>	<b>175</b>	<b>73%</b>
Capital Expenditures	-241	-96	152%
Other investment cash flow	3	-2	-284%
<b>Net cash provided by (used in) investing activities</b>	<b>-238</b>	<b>-97</b>	<b>144%</b>
Debt issuance	645	227	184%
Debt repayment	-373	-270	38%
Other financing cash flow	-3	-98	-97%
<b>Net cash provided by (used in) financing activities</b>	<b>270</b>	<b>-141</b>	<b>-291%</b>
<b>Total positive (negative) cash flow of the period</b>	<b>335</b>	<b>-64</b>	<b>-622%</b>
Effect of inflation on cash and cash equivalents	6	18	-66%
Cash and cash equivalents at beginning of the period	317	363	-13%
<b>Cash and cash equivalents at end of the period</b>	<b>657</b>	<b>317</b>	<b>108%</b>

## Comments

- In July Arauco issued a U.S.\$500 million Yankee Bond.
- In August Arauco paid U.S.\$165.2 million for the wood-panel company Tafisa Brazil S.A.

# Financial Review > Debt

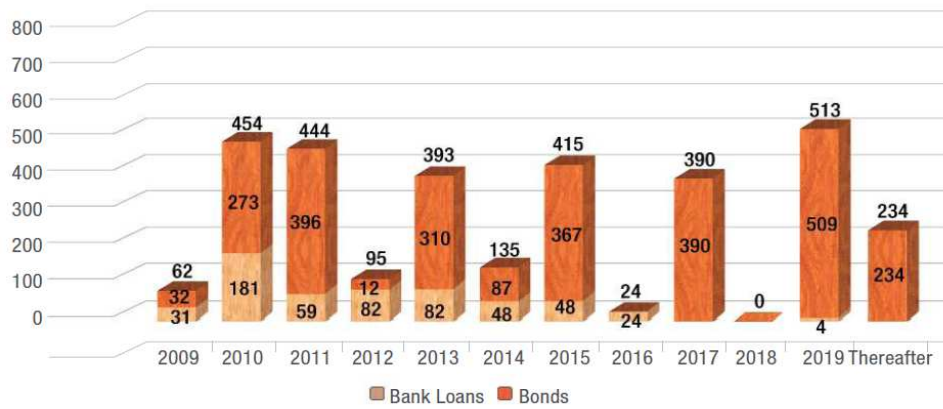
## Arauco - Financial Debt

US\$ million	September 2009	June 2009	Q o Q
Short term financial debt	508	427	19%
Long term financial debt	2,651	2,450	8%
<b>TOTAL FINANCIAL DEBT</b>	<b>3,159</b>	<b>2,878</b>	<b>10%</b>
Cash and cash equivalents	657	317	108%
<b>NET FINANCIAL DEBT</b>	<b>2,502</b>	<b>2,561</b>	<b>-2%</b>

## Comments

- Short term financial debt over cash down to 77% in Q3 2009 from 135% in Q2 2009

## Financial Debt Profile





# Financial Review > Ratios

## Arauco - Financial Ratios

	<u>Q3/09</u>	<u>Q2/09</u>	<u>Q1/09</u>	<u>YTD 09</u>
<b>Profitability</b>				
Gross margin	33.0%	28.2%	27.0%	29.6%
Operating margin	12.6%	6.8%	6.0%	8.7%
EBITDA margin	26.2%	20.5%	19.6%	22.4%
ROA (EBIT / Total assets)	3.8%	1.9%	1.5%	2.4%
ROCE (EBIT (1 - tax rate) / Total capitalization)	3.6%	1.8%	1.4%	2.3%
ROE (Net Income / Equity)	6.1%	3.2%	0.9%	3.4%
<b>Leverage</b>				
Interest coverage ratio (EBITDA / Interest expenses)	4.8x	3.6x	3.1x	3.9x
Net financial debt / EBITDA	2.9x	4.3x	4.8x	3.8x
Total financial debt / Total capitalization	33.5%	31.9%	32.4%	33.5%
Net financial debt / Total capitalization	26.6%	28.4%	28.3%	26.6%
Total financial debt / Equity	50.5%	46.9%	47.8%	50.5%
Net financial debt / Equity	40.0%	41.8%	41.8%	40.0%

# Agenda

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- Financial Review 2nd Quarter 2009 4

- Review by Business Segment 11

- Outlook 17

# Review by Business Segment > Pulp

## Pulp Division Net Sales (in US\$ million)



	Net Sales	Price	Volume
Q o Q	11.6%	13.2%	0.3%
Y o Y	-21.6%	-31.4%	15.8%



- The recovery in the pulp market was confirmed during the third quarter of 2009.
- Most of this recovery has been pushed by Asian markets – in particular China – where the activity is driven by an increase in paper production and higher demand for pulp.
- Unit costs are going down in line with cost-cut programs and helped by external prices of main raw materials, especially chemicals
- Average pulp price of radiata pine to China has been increasing since end of last year:

Dec 2008	1Q09	2Q09	3Q09
\$470	\$473	\$503	\$567

# Review by Business Segment > Panels

## Panels Division Net Sales (in US\$ million)



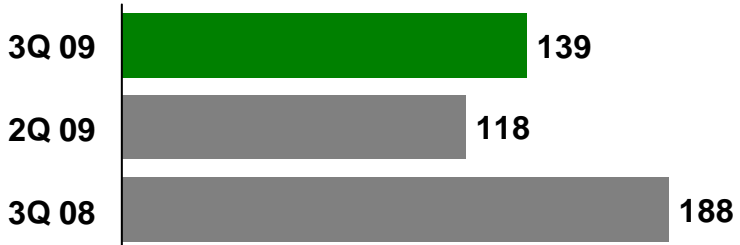
	Net Sales	Price	Volume
Q o Q	23.3%	6.6%	15.7%
Y o Y	-20.1%	-22.8%	3.5%



- During the third quarter of 2009, our plywood sales showed a strong recovery in volume, translated into low inventory levels
- We have seen a higher demand and market confidence translated into stable sales to North America and increasing recovery in sales volume to Europe
- Sales volume has made a slight increase compared to previous year, but it has been necessary to adjust sales prices in order to sell those volumes in the market
- On August 26th Arauco consolidated the wood-panel company Tafisa Brazil S.A. which also explained higher sales volumes in MDF and PBO

# Review by Business Segment > Sawn Timber

## Sawn Timber Division Net Sales (in US\$ million)



	Net Sales	Price	Volume
Q o Q	17.5%	1.9%	15.3%
Y o Y	-37.5%	-13.0%	-28.2%



- Our sawn timber business has been the most impacted business segment with the global economic downturn, and in particular with the down cycle of the US housing sector
- The US Housing industry has remained stable during the third quarter of 2009. Homebuilding reached levels of near 590,000 houses by September. Current construction level remains the lowest in the last 50 years
- During the third quarter of the year, there was a slight increase in prices and sales volume of moldings and sawn timber when compared with the second quarter, however, sales are still low compared with the third quarter of last year

## Subsequent events > Join Venture with Stora Enso

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- On September 27th Arauco subscribed a Share Contribution Agreement and a Framework Agreement with Stora Enso.
- On October 16th Arauco and Stora Enso signed the final documents acquiring the forestry-industrial assets of the Spanish Grupo Empresarial ENCE in Uruguay

# Agenda

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- Financial Review 2nd Quarter 2009 4

- Review by Business Segment 11

- Outlook 17

## Outlook > Pulp market

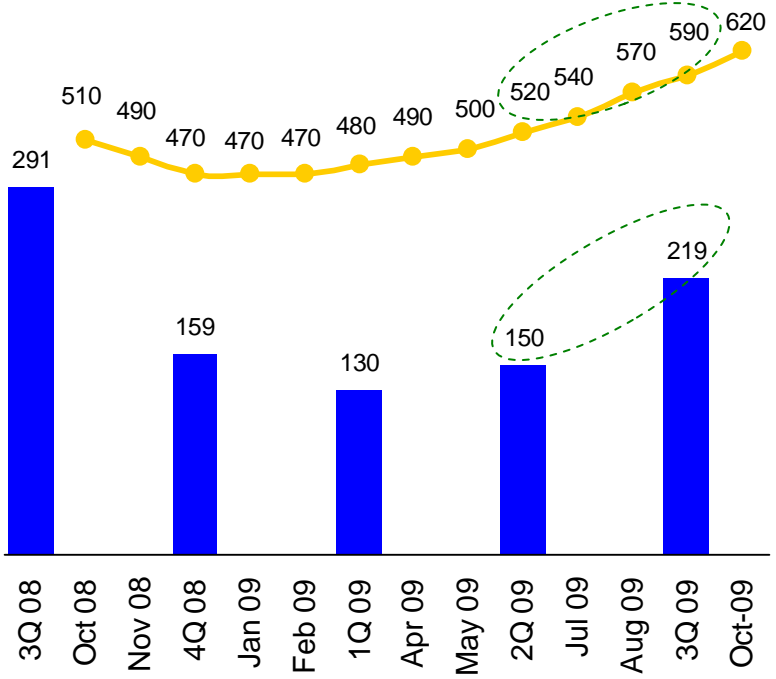
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- **The recovery that began during the second quarter 2009 has been confirmed during the third quarter of this year**
  - Overall, prices of radiata pine increased approximately US\$ 60 / Adt during the third quarter, and upward trend that should continue in the fourth quarter
  - Asia: the activity is driven by an increase in paper production and a higher demand for pulp. Some producer countries such as Korea and Indonesia have increased their exports to the U.S. and Europe
  - Europe: pulp prices and pulp demand have risen significantly, but the activity is below previous years. They have been favored by a strong Euro, which means a moderate rise of pulp price in their local currency
  - North America has not had a significant rebound in demand, but the prices have risen due to the effect of demand in Asia



# Outlook > Pulp market

## Pulp Price vs. EBITDA



■ ARAUCO EBITDA by Quarter in US\$ millions  
— Pulp price (radiata pine) to China in US\$/Adt \*

### Comments

- Since pulp prices bottomed at beginning of the year, price has increased above \$150/Adt
- The increase in pulp prices is reflected in Arauco's EBITDA

\*Source: Hawkins Wright



# Outlook > Pulp market

- **Black Liquor Tax Credit continues giving an unfair cost competitiveness to US pulp mills**

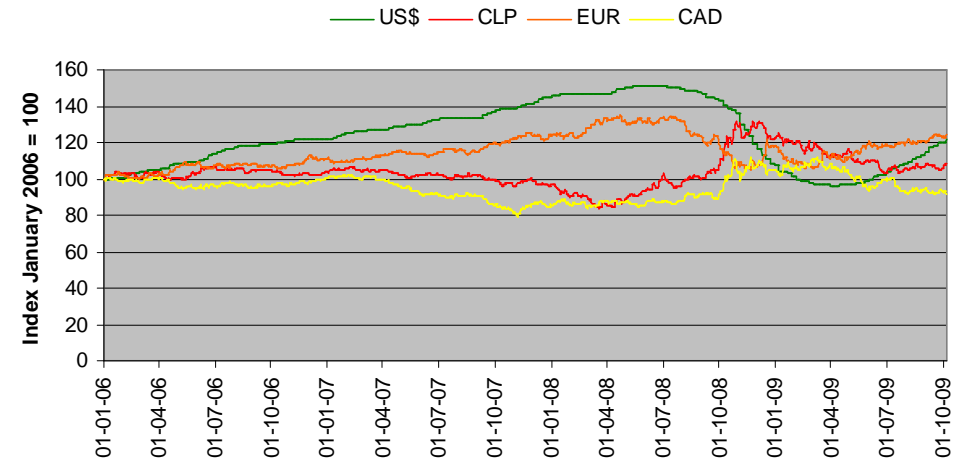
- It has become in some cases over 50% of the operating margin or up to U.S.\$ 250 per ton of pulp
- There are doubts if this subsidy will be replaced by another which may be equal or even more distorting than the current one which will provide close to U.S.\$ 8 billion

- **The US dollar continues to weaken**

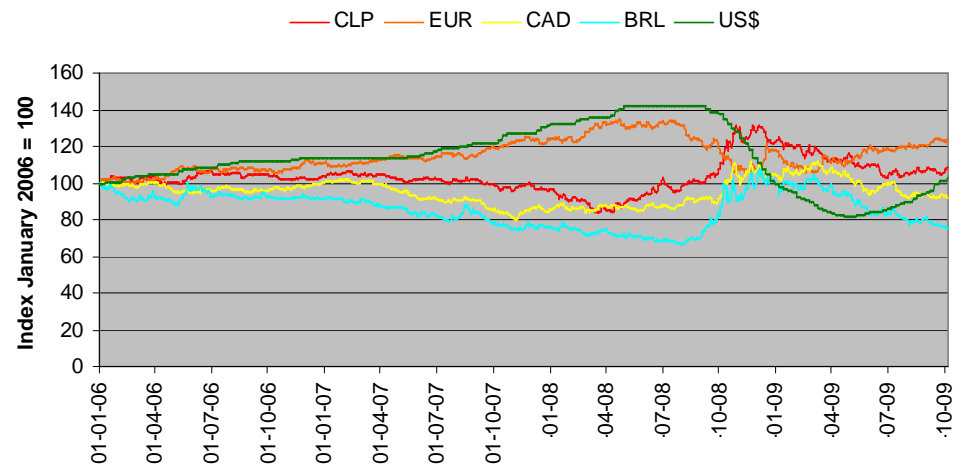
- Particularly against certain countries such as Canada and Brazil, which means a moderate rise of pulp in their local currency

Source: Hawkins Wright, Arauco

**NBSK**



**BHKP**



# Outlook > Panels

## Plywood:

- In Europe the order book remains strong and customers demand greater volume. Prices of boards are showing some recovery signs
- In USA demand has been growing, although there has been little space for price increases. Arauco is increasing its share in the retail sector through home improvement stores

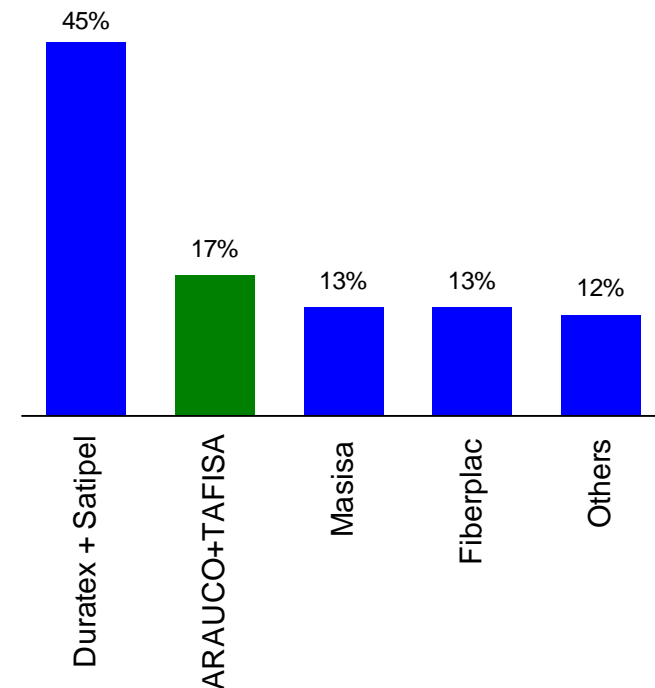
## MDF:

- Production in Chile and Argentina at normal levels -- both countries being able to export with price increases

## Brazilian market:

- Industry consolidation
- Prices are stable and there is good prospect for sales until December.
- Appreciation of the Real is making less attractive the export market

**Brazilian MDF+PB Market Share - 2009**

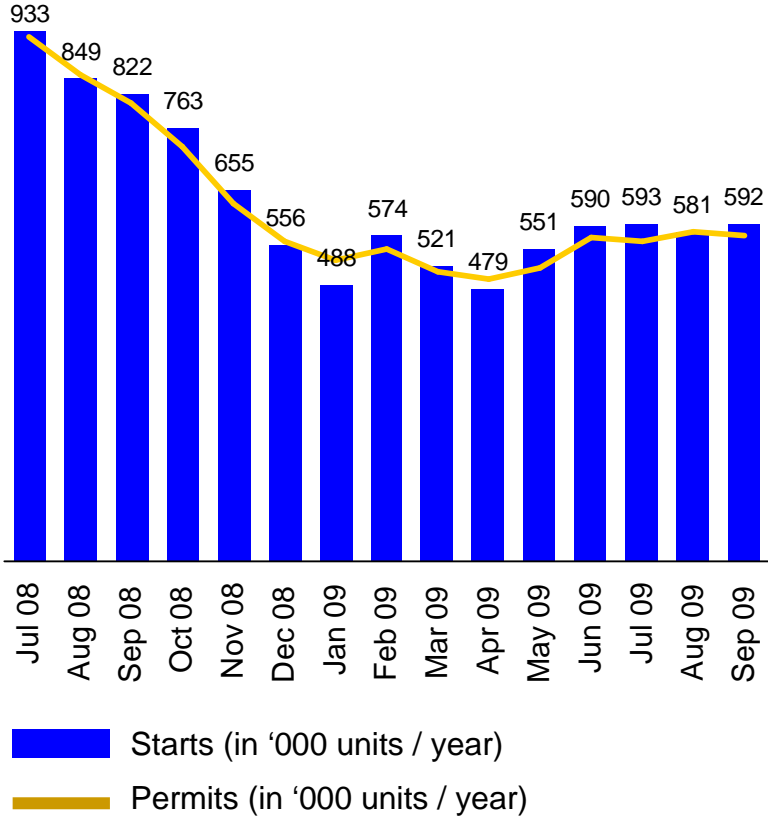


Source: Arauco estimations

# Outlook > Sawn Timber markets

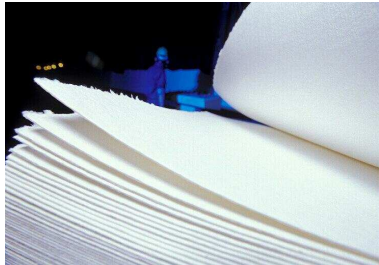
- **There is some evidence the construction of houses in the US has bottomed in April 09**
  - During the last month, both housing permits and starts have stabilized but still construction level remains very low
  - We are seeing a growth in demand for forest products in all markets, translated into higher prices, especially in Asia and the Middle East

**US Housing Starts and Permits**



Source: U.S. Census Bureau





# Q & A



# Arauco > Investor Relations

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## **José Luis Rosso**

**Financial Planning & Investor Relations Manager**

jose.rosso@arauco.cl

Phone: (56-2) 461 72 21

## **Valentina Concha**

**Analyst**

valentina.concha@arauco.cl

Phone: (56-2) 461 72 83

Fax: (56-2) 461 75 41

[www.arauco.cl](http://www.arauco.cl)



Conference Call Presentation

**3<sup>rd</sup> Quarter 2009**

**Financial Results**

**December 3<sup>rd</sup>, 2009**

A replay of this conference call will be available from December 3, 2009, 10:30 to December 9, 2009  
23:59 (EST)

Replay number: +1 (706) 645-9291 or (800) 642 1687  
Password: 41813298

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